MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2015/2016

DFA5038 – FINANCIAL ACCOUNTING 3

(For Diploma Students Only)

13 OCTOBER 2015
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of six (6) pages only excluding the cover page.
2. There are **FIVE (5)** questions. The distribution of marks for each question is given.
3. Answer **ALL** questions in the answer booklet provided.

QUESTION 1

Part A

Based on below inventory systems, provide **TWO (2)** reasons each on why companies need to take a physical inventory.

(a) Perpetual System (2 marks)

(b) Periodic System (2 marks)

Part B

BabyBelly Berhad is an Organic Baby Food manufacturer in Malaysia. One of the main ingredients for baby food is green apple where the company imports from New Zealand. BabyBelly Berhad uses perpetual inventory system and the following transactions occurred in the month of March 2015.

Mar 1	Balance from the previous month of 45 boxes worth RM2,655.
5	Purchased 50 boxes at RM62 per box.
11	Sold 35 boxes to production department.
15	Purchased 40 boxes at RM65 per box.
19	Purchased 25 boxes at RM64 per box.
23	Sold 50 boxes to production department.
24	Purchased 5 boxes as of 5 March purchase price.
27	Sold 10 boxes to production department.

Instructions:

Prepare a schedule to show cost of goods sold and the value of the ending inventory for the month of March 2015 using:

a) First-In-First-Out (FIFO); (8 marks)

b) Last-In-First-Out (LIFO). (8 marks)

[TOTAL 20 MARKS]

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QUESTION 2

Part A

The following information pertains to Harissa Company's portfolio of long term available for sale securities as at 31 December 2013.

	Cost (RM)
700 shares of Adam Corporation common stock	36,400
800 shares of Adra Corporation common stock	48,000
900 shares of Harith Corporation common stock	25,200

On 31 December, the total cost of the portfolio equated total fair value. Harissa Company had the following transactions related to securities during 2014.

Jan 9	Sold 700 shares of Adam Corporation common stock at RM60 per share, less brokerage fees of RM1,100.
Jan 13	Purchased 300 shares RM72 par value common stock of Imran Corporation at RM78 per share, plus brokerage fees RM350.
24	Received a cash dividend of RM1.25 per share on Adra Corporation common stock.
Feb 5	Received cash dividends of RM0.32 per share on Harith Corporation preferred stock.
19	Sold all 900 shares of Harith Corporation preferred stock at RM24 per share less brokerage fees of RM230.
July 2	Received a cash dividend of RM0.90 per share on Adra Corporation common stock.
Sept 3	Purchased an additional 500 shares of the RM72 par value common stock of Imran Corporation at RM77 per share, plus brokerage fees of RM1,300.
Dec 20	Received a cash dividend of RM1.60 per share on Imran Corporation common stock.

At 31 December 2014, the fair values of the securities were:

Adra Corporation common stock	RM55 per share
Imran Corporation common stock	RM100 per share

Harissa Company uses separate account titles for each investment such as Investment in Adra Corporation common stock.

Instructions:

(a) Prepare journal entries to record the transactions. (9 marks)
(b) Post to investment accounts. (Use T-account). (3 marks)
(c) Prepare the adjusting entry at 31 December 2014 to report the portfolio at fair value. (3 marks)
(d) Prepare partial Statement of Financial Position as at 31 December 2014. (2 marks)

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Part B

List **THREE (3)** reasons why corporations invest in debt or stock securities. (3 marks)

[TOTAL 20 MARKS]

QUESTION 3

Part A

Big and Thin are partners as they have beginning capital of RM120,000 and RM180,000 respectively. During 2014, the partnership earned net income of RM85,000 and Big made drawings of RM12,000 while Thin made drawings of RM20,000.

Instructions:

(a) Assume the partnership income-sharing agreement calls for income to be divided 40% to Big and 60% to Thin. Prepare the journal entry to record the allocation of net income. (3 marks)

(b) Assume the partnership income-sharing agreement calls for income to be divided with a salary of RM50,000 to Big and RM30,000 to Thin, with the remainder divided 40% to Big and 60% to Thin. Prepare the journal entry to record the allocation of net income. (3 marks)

(c) Assume the partnership income-sharing agreement calls for income to be divided with a salary of RM45,000 to Big and RM40,000 to Thin, interest of 10% on beginning capital and the remainder divided equally. Prepare the journal entry to record the allocation of net income. (3 marks)

(d) Compute the partner's ending capital balances under the assumption in part (c). (2 marks)

Part B

Andrew and Bernard have a partnership agreement which includes the following provisions regarding sharing net income or net loss:

1. A salary allowance of RM68,000 to Andrew and RM56,000 to Bernard.
2. An interest allowance of 10% on capital balances at the beginning of the year.
3. The remainder to be divided 60% to Andrew and 40% to Bernard.

The capital balance on 1 January 2014 for Andrew and Bernard was RM110,000 and RM140,000 respectively. During 2014, the Andrew and Bernard Partnership had sales of RM615,000, cost of goods sold of RM310,000 and operating expenses of RM105,000.

Instruction

(a) Prepare a Statement of Comprehensive Income for the Andrew and Bernard Partnership for the year ended 31 December 2014. (3 marks)

(b) As a part of the Statement of Comprehensive Income, include a Division of net Income to each of the partners. (6 marks)

[TOTAL 20 MARKS]

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QUESTION 4

Part A

On 1 January 2015, the ledger of BlueBear Company contains the following liability accounts.

	(RM)
Accounts Payable	67,500
Sales Taxes Payable	6,100
Unearned Service Revenue	21,000

During January, the following selected transactions occurred.

Jan 1	Sold merchandise for cash totaling RM42,400 which includes 6% sales taxes.
11	Performed services for customers who had made advance payments of RM16,500.
15	Paid state revenue department for sales taxes collected in December 2014 (6,100).
21	Sold 1,200 units of a new product on credit at RM38 per unit plus 6% sales tax. This new product is subject to a 1-year warranty.
24	Borrowed RM48,000 from CIMG Bank on a 3-month, 6%, RM48,000 note.
28	Sold merchandise on account totaling RM18,550 which includes 6% sales taxes.

Instructions:

(a) Journalize the January transactions. (7.5 marks)

(b) Journalize the adjusting entries at 31 January 2015 for:

(i) the outstanding notes payable (Use one-third of a month for the CIMG Bank note), and (1.5 marks)

(ii) estimated warranty liability, assuming warranty costs are expected to equal 7% of sales of the new product. (1.5 marks)

(c) Prepare the current liabilities section of the Statement of Financial Position at 31 January 2015. Assume no change in accounts payable. (5 marks)

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Part B

Rubrics Company has 50 employees who each earned RM180 a day and has two fringe benefit plans for its employees. The following transactions occurred in May 2015.

1. The company grants employees 2 days' vacation for each month worked. All employees worked the entire month of May.
2. In its pension plan, the company recognizes 15% gross earnings as a pension expense. Gross earnings in May were RM60,000. No contribution has been made to the pension fund.
3. In 20 May, half of the employees used one vacation day each.
4. At the end of the month, company recorded pension expense of RM250,000 and made contribution of RM120,000 to the pension plan.

Instruction:
Prepare Rubrics Company's journal entries to record the transactions. (4.5 marks)

[TOTAL 20 MARKS]

QUESTION 5

Part A

Carlos Corporation had the following comparative current assets and the current liabilities:

	30 June 2015 (RM)	30 June 2014 (RM)
Current Assets		
Cash	70,000	40,000
Short-term Investments	50,000	20,000
Account Receivables	65,000	105,000
Inventory	120,000	100,000
Prepaid Expenses	45,000	30,000
Total Current Assets	350,000	295,000
Current Liabilities		
Account Payables	150,000	120,000
Salaries Payable	50,000	40,000
Income Tax Payable	30,000	25,000
Total Current Liabilities	230,000	185,000

During 2015, credit sales is RM600,000, sales return and allowances RM15,000, purchases RM500,000, beginning inventory RM100,000 and ending inventory RM90,000.

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Instructions:

Compute the following liquidity measures for 2015:

(a) Current Ratio (2 marks)
(b) Working Capital (2 marks)
(c) Acid-test Ratio (2 marks)
(d) Account Receivables Turnover (2 marks)
(e) Inventory Turnover (3 marks)

Part B

The comparative Statement of Financial Position of Chantek Company appears below:

Chantek Company
Comparative Statement of Financial Position
as at 31 December

	2015 (RM)	2014 (RM)
Assets		
Plant, Property and Equipment	870,000	744,000
Current Assets	550,000	356,000
Total Assets	1,420,000	1,100,000
Liabilities and Stockholder's Equity		
Long-term Debt	352,000	143,000
Current Liabilities	264,000	211,000
Common Stock	414,000	321,000
Retained Earnings	390,000	425,000
Total Liabilities and Stockholder's Equity	1,420,000	1,100,000

Instructions:

(a) Using horizontal analysis, show the percentage change for each Comparative Statement of Financial Position item using 2014 as a base year. (3 marks)
(b) Using vertical analysis, prepare common size comparative Statement of Financial Position. (6 marks)

[TOTAL 20 MARKS]

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